

KNOWLEDGE AND COMPLIANCE: THE INCREASING INTENTION OF MSME'S HALAL CERTIFICATION IN INDONESIA

Aslam Mei Nur Widigdo*

Magister Management, Faculty of Economics and Business, Universitas Mercu Buana, Jakarta 11650, Indonesia

Abdi Triyanto

Sharia Business of Management, SEBI School of Islamic Economics, Depok 16517, Indonesia

ABSTRACT

The obligation of halal certification has been promulgated since 2014. However, MSMEs that apply for halal certification are only 1%. This study aims to analyze the effects of knowledge and compliance on the intention of MSME's halal certification in Indonesia. The study used a quantitative approach. The sample size was 100 respondents representing owners, managers, or leaders of MSMEs in several cities in Indonesia. Samples were taken by convenience sampling technique. Data processing using Smart-PLS. The results showed that knowledge had an insignificant positive effect on the intention to implement halal certification directly. However, mediated by compliance, knowledge significantly affects the intention to implement halal certification. Compliance increases the intention of MSMEs to implement halal certification in Indonesia. Compliance is a crucial factor in increasing the intention of MSMEs to implement halal certification both directly and in the role of mediators.

Keywords: Knowledge, Compliance, Halal Certification Intention, MSMEs

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*Corresponding author: Magister Management, Faculty of Economics and Business, Universitas Mercu Buana, Jakarta 11650, Indonesia. Tel no: +628129505033; E-mail: aslam.mei@mercubuana.ac.id

1. INTRODUCTION

Article 4 of the Indonesian Republic Law No. 33 (2014) on Halal Product Assurance stipulates that any product imported, distributed, or traded within the Indonesian territory must be Halal certified. MSMEs are medium, small, and micro-scale companies with limited resources (Simba & Thai, 2019). Following the provisions, MSME entrepreneurs must apply halal certification to their products and activity processes. According to Agwu (2014) and Latifah et al. (2020), the performance of micro, small, and medium enterprises (MSMEs) has become an important factor in every country in the world as a pillar of economic growth in both developed and developing countries. Experts argue that halal certification is an opportunity for companies to increase market share and face competition, especially in the saturated mature food market of conventional products (De Boni & Forleo, 2019). Numerous research and media organizations from around the world have published papers and articles that emphasize the importance of halal certification for products entering the Islamic market (Yun et al., 2020).

Halal certification is essential for MSMEs. Halal certification is a representation of product quality with Islamic Sharia standards. According to Al-Kwifl et al. (2019), Hong et al. (2020), and Sujibto and M (2023) the goal of halal certification is to serve the intentions of Muslims in practicing the teachings of their religion. Therefore, halal certification is used as a reference for Muslims to consume food that follows Islamic values (Muhamad et al., 2017). Halal certification is a key parameter to increase consumer confidence that the products consumed are halal, safe, and clean (Ambali & Bakar, 2014; Jannah & Al-Banna, 2021). Halal-certified products are the main requirement for Muslim buyers to buy halal food for daily consumption (Gojali & Suci Asih, 2020).

However, MSMEs in Indonesia that apply for halal certification are still low. According to Halim Alamsyah, an expert staff of the Ministry of Finance of the Republic of Indonesia, only 1% of MSMEs have halal certificates (Prakoso, 2021). The Ministry of Cooperatives and Small and Medium Enterprises announced that the number of micro, small, and medium enterprises (MSMEs) reached 65.47 million in 2019. This number reaches 99.99% of the total businesses in Indonesia, while large-scale businesses are only 5,637 units or equivalent to 0.01% (Mahdi, 2020). Limited knowledge and lack of legal awareness of business actors on halal certification can be inhibiting factors in the ineffective implementation of the Halal Guarantee Law. According to Sucipto et al. (2021), management commitment and knowledge influence the implementation of the halal assurance system.

Knowledge is one of the most important elements to have in every organization, including MSMEs. Knowledge is an intangible asset that plays a key role in an organization's success (Abbas & Sağsan, 2019). Knowledge is also defined as a set of true and manageable beliefs to improve organizational performance through effective action (Ferraris et al., 2019). Meanwhile Briliana & Mursito (2017) define knowledge as facts, feelings, or experiences known to a person. According to Jannah and Al-Banna (2021), Knowledge is the result of awareness of something obtained from experience or learning process. Dynamic organizations consider knowledge as an instrument to maintain a competitive advantage in the market and increase customer satisfaction (Abbas & Sağsan, 2019). The knowledge that should be possessed by MSME entrepreneurs is related to knowledge related to the concept of Halal and haram according to Islamic law, as well as regulations related to the halal product assurance system.

MSME entrepreneurs must know that Muslims are obliged to eat halal and “thoyib” food. Muslims know that halal certification is necessary to avoid haram products (Yun et al., 2020). Ahmadova and Aliyev (2021) stated that "Halal" and "Haram" are the main principles that every Muslim should understand as the basis for daily life. Halal means something permissible, while haram is something that is forbidden under Islamic law. The application of this concept must be comprehensive in all aspects ranging from eating, drinking, transacting, trading (food, clothing, shelter), and worship. According to Henderson (2016) and Jannah and Al-Banna (2021), The term ‘halal’ in Islam means what Muslims can consume, and includes not only food and drink but also the characteristics of the goods and services associated with them. Meanwhile, Nurhayati and Hendar (2020) state that knowledge about halal products refers to a collection of various information related to halal products, product characteristics, user manuals, places of purchase and sale, trading hours, the safety of goods delivery, and price certainty.

MSME entrepreneurs must know halal product warranty system regulations. The halal product assurance system has been regulated both through Law No. 33 of 2014, and Job Creation Law No. 11 of 2020 article 48 as an improvement. In addition, provisions have also been derived through the Decree of the Minister of Religious Affairs of the Republic of Indonesia. However, not all MSME entrepreneurs understand in detail the provisions of the regulation. But this knowledge is important. According to Gojali and Suci Asih (2020), Five factors influence the purchase intention of halal products: understanding halal, personal and societal views, halal marketing, halal certification, and beliefs.

Knowledge of halal regulations influences the intentions of MSMEs when implementing halal certification. A company's competitiveness in foreign markets can be achieved through organizational and financial support to expand the company's knowledge of new market rules, technical requirements as well and regulations required to obtain halal certification (De Boni & Forleo, 2019). According to Said et al. (2014), and Jannah and Al-Banna (2021), many studies discuss knowledge as a determining factor for consumer decision-making. In general, consumers make decisions after obtaining complete information. On this basis, decision-making to implement halal certification should be after obtaining comprehensive information or knowledge.

Compliance is a factor that can influence the intention of MSME entrepreneurs to implement halal certification. Compliance can be related to compliance with Islamic religious law and can be related to the regulatory provisions of the Halal Product Assurance System Law. Adherence to Islamic religious law is often known as religiosity. Religiosity often known as religious commitment is an orientation of values and religious ideals that are explicitly captured and practiced by an individual (Bukhari et al., 2019). According to Said et al. (2014) and Jannah and Al Banna (2021), religiosity can be interpreted as how committed a person is to their religion. Then religion or commitment is reflected in their attitudes and behaviors. Religiosity can be a determinant of consumer orientation. Consumers will consider that the desire to buy or consume the product does not violate or contradict beliefs (Jannah & Al-Banna, 2021).

Research related to the intention to implement halal certification is still limited, therefore this research is expected to enrich previous research. This study aims to analyze the influence of knowledge and compliance with the intentions of MSMEs in implementing Halal certification in Indonesia.

2. HYPOTHESIS AND RESEARCH CONCEPTUAL FRAMEWORK

Some literature related to previous research is used as a basis for formulating hypotheses. However, since research is also related to knowledge and compliance with the provisions of Islamic law, The Qur'an and/or Hadith as primary sources of law for Muslims are used as theoretical foundations. In addition, interest is something related to an individual or organization's attitude to interest in an object or the urge to perform a series of behaviors to obtain that object. Therefore, institutional theory will also be used to explain the phenomenon that occurs in the interest of MSMEs in implementing halal certification. Institutional theory is one of the theories used to understand the behaviors of individuals and organizations. According to Huq and Stevenson (2020) Institutional theory is used to understand how the various forces of buyers, suppliers, and the broader external environment influence organizational practices.

The theoretical basis used includes the Qur'an surah Al Baqarah verse 168. The word of Allah in the Qur'an surah Al Baqarah 168 reads O man! Eat from the lawful (food) and 'thoyib' found on earth, and do not follow the steps of Satan. Truly Satan is a real enemy to you. According to Ibnu Katsir, his interpretation explains Surah Al Baqarah: 168, which Ibn Abbas narrates, the verse "*yā ayyuhan-nāsu kulū mim mā fil-ardli ḥalālan thayyiba*" was once read by the Prophet Muhammad peace be upon him. Then Saad bin Abi Waqash stood up and said: "O Messenger of Allah, pray to God to make me the person whose prayers are answered". Prophet Muhammad said: "O Sa'ad, improve your food and you will be the one whose prayers are answered. For the sake of the One in whose hand Muhammad's soul is, truly a person who puts one haram morsel in his stomach then his acts of worship will not be accepted for 40 days, and truly a servant whose flesh grows from something haram and usury then fire is more important for him".

The hadith that used as the basis of the theory is narrated from Abu Hurairah ra, Prophet Muhammad SAW said which is used as the basis of theory, narrated by Imam Bukhari, "The time will come when many people will no longer care about what they have taken, whether it is halal or haram." (HR Bukhari). This hadith is a warning for Muslims to continue to be steadfast in following the commands of Allah SWT and His Messenger. So, whatever the conditions of the era, a Muslim must still pay attention to the origin of what he consumes. Knowledge about consuming halal food is mandatory, and otherwise understanding how to obtain it the halal way is also mandatory. This has consequences for entrepreneurs to carry out halal certification. With halal certification, the products produced will be more informative in the eyes of consumers.

Meanwhile, previous researchers such as Sucipto (2021) stated that knowledge influences the implementation of the halal assurance system. According to Pratikto et al. (2023), the willingness and interest of MSME operators to prepare for the need for halal certification is greatly influenced by their knowledge and understanding of the meaning of halal recognition. Pratikto et al. (2023) also state that halal awareness, halal literacy, understanding of regulations, and behavioral intentions towards halal certification partially influence the acquisition of halal certification among MSMEs. According to Said et al. (2014) and Jannah and Al-Banna (2021), knowledge is a determining factor for consumer decision-making. Based on this, the formulation of the hypothesis is

H1: Knowledge affects the intention of MSMEs in implementing halal certification

In the Qur'an, surah An Nisa, verse 59, Allah says: O you who believe, obey Allah and obey His Messenger, and ulil Amri among you. Then, if you differ on something, return it to Allah (the Qur'an) and the Messenger (sunnah), if you believe in Allah and the Last Day. That is more important (for you) and the consequences are better. Ibn Katsir explains from the verse above that the word "*Athii'ullah wa athii'urrasul wa ulil amri minkum*" means obey Allah by following Al-Qur'an and obeying His Messenger by practicing his sunnah and obey the leaders among you in all his commands to you in terms of obedience to Allah, not disobedience (disobedience) to Allah; because there is no obedience to creatures when they advocate disobedience to God the Creator. Therefore, knowledge of this verse can be used as a basis for compliance of MSME's business actors to halal provisions.

Waluyo (2013) stated that religious understanding has a significant effect on halal certification awareness for food producers in Sleman and Bantul. Anandai (2016) stated that one of the factors that cause business actors not to carry out certification is the lack of knowledge about halal product assurance. According to Sucipto (2021), knowledge influences the implementation of the halal assurance system. Gojali and Suci Asih (2020) explained factors affecting the intention to purchase halal products include five keys, including understanding halal. Based on this, the formulation of the hypothesis is

H2: Knowledge affects the compliance of MSMEs

The Word of God as in Al-Qur'an Surat Al Maidah verse 93 reads: "There isn't any sin for those who believe and do good deeds by eating food which they had eaten before in a state of fear and faith, as well as do righteous deeds, then they still fear and believe, then they too fear and do good. And God loves those who do good." Ibn Katsir, explains this verse based on the story of a friend who asked about the bad deeds that were done before believing, that there is no sin for those who believe and do righteous deeds for eating food that they have eaten before, drinking and gambling before the prohibition (when they are pious) against unlawful acts. As long as you continue to fear God, and God will reward those who do good deeds.

Piety is the highest form of obedience to commands according to Islamic law. Piety will be shown by continuous pious deeds. Halal certification is a form of priority that can be carried out by MSME business actors as a form of compliance.

Oemar et al. (2022) stated halal awareness influences positively the intention to obtain a halal certificate. According to Sucipto (2021), management commitment influences the implementation of the halal assurance system. Religion is a powerful trigger for consumer behavior to purchase halal food (Nurhayati & Hendar, 2020). Religious people tend to have a positive attitude toward halal products (Mukhtar & Butt, 2012 ;Ahmadova & Aliyev, 2021). Based on this, the formulation of the hypothesis is

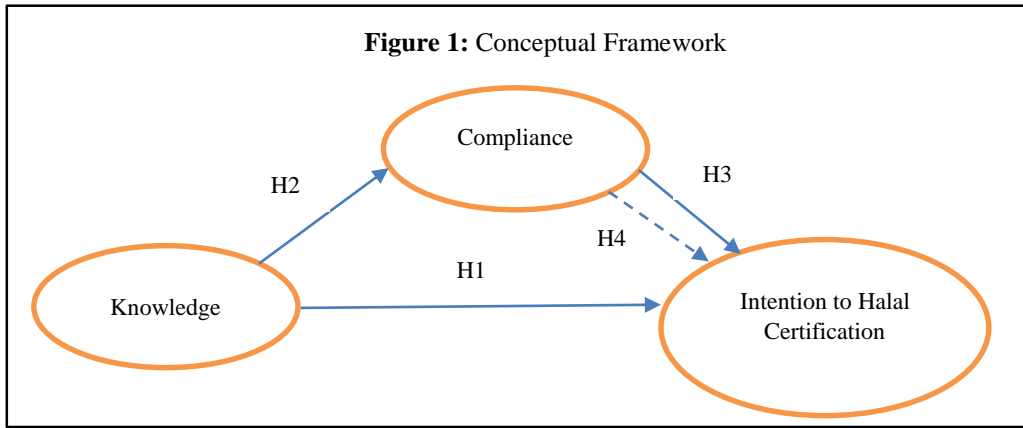
H3: Compliance affects the intention of MSMEs to implement halal certification

The word of Allah as in the Qur'an surah Al Maidah verse 88 reads "And eat food that is halal again good ('thoyib') from what Allah has given you, and fear Allah whom you believe in Him". In addition, the Word of Allah as in the Qur'an Surah Al Maidah verse 93 reads: there is no sin for those who believe and do righteous deeds by eating the food they have eaten before when they are

pious and have faith, and do pious deeds, then they remain fearful and have faith, then they (remain) also fear and do good. And God loves those who do good." Meanwhile, previous researchers stated that knowledge and management commitment influence the implementation of the halal assurance system (Sucipto et al., 2021). Based on this, the formulation of the hypothesis is

H4: Knowledge affects the intention of MSMEs in implementing halal certification mediated by compliance

The conceptual framework of the research is as in Figure 1



3. RESEARCH METHODOLOGY

The research design used a quantitative approach to causal relationships, which are relationships that explain the influence of one variable on another variable. The research is a case study on MSMEs in Jakarta and the surrounding buffer cities such as Bogor, Depok, Tangerang, and Bekasi. Because it is difficult to obtain precise data on the number of MSMEs in Jakarta and its surrounding buffer cities, the Lemeshow formula is used as the basis for calculating sample size. From the calculation results, the number of samples was 96 which was rounded to 100. The respondent's status is the owner or manager of MSMEs. The sampling technique is carried out by convenience sampling method. This technique was used for reasons of convenience and practicality, considering the distribution of locations that vary greatly in each city sampled.

The type of data used in the study is primary data derived from respondents. The method used in data collection is by distributing questionnaires to respondents to fill out. Data was collected from May to June 2023. The questionnaire is closed in nature and contains questions related to respondents' perceptions. The questionnaire was developed based on the Qur'an, Hadith, statutory provisions, and previous research as Table 1. Likert scale is used to measure respondents' perceptions related to the variables or indicators studied. Five levels of answers were used to measure respondents' perceptions of each statement, ranging from strongly disagree (score 1) to strongly agree (score 5). The variables measured in the study are the intention of MSME business actors in conducting halal certification intention (HCI) as an endogenous variable (Y), Knowledge as an exogenous variable (X), and compliance as a mediating variable (Z).

Table 1: Variable Operationalization

Variable	Indicator	Indicator Code	Measurement	Reference
X (Knowledge)	Obligation to eat halal food	KNO1	Likert Scale 1 = strongly disagree 2 = disagree 3 = neutral 4 = agree 5 = strongly agree	Qur'an, Hadith, Statutory Provisions
	Halal provisions in the Qur'an	KNO2		
	Halal Provisions according to Hadith	KNO3		
	Eating halal food as worship	KNO4		
	Muamalah provisions not to hide	KNO5		
	Muamalah provisions not to cheat	KNO6		
	Muamalah provisions for honesty	KNO7		
	Muamalah provisions not to harm other parties	KNO8		
	Muamalah provisions for no speculation	KNO9		
	Obligation to carry out God's commandments	KNO10		
	Provisions of the law on Halal Product Assurance in Indonesia.	KNO11		
	Mandatory halal provisions for products traded in Indonesia	KNO12		
Z (Compliance)	Obey the commands and prohibitions of Allah SWT	CPL1		Qur'an, Hadith, Statutory Provisions
	Performing the sunnah of the Prophet Muhammad SAW	CPL2		
	Performing prayers	CPL3		
	Fasting	CPL4		
	Paying zakat	CPL5		
	Performing Hajj	CPL6		
	Not deceptive in trading	CPL7		
	Comply with product information provision	CPL8		
	Do not reduce the amount of trading	CPL9		
	Comply with the Halal Product Assurance Law	CPL10		
	Comply with halal provisions according to Government Regulations	CPL11		
	Comply with halal provisions by the Ministerial Decree	CPL12		
Comply with consumer protection provisions	CPL13			
Y (Halal Certification Intention)	The intention of halal certification.	HCI1		Priansa, 2017
	Intention to inform other parties regarding halal certification.	HCI2		
	Intention prefers halal certification	HCI3		
	Intention to find the latest	HCI4		

information regarding halal provisions	
Intention to seek information regarding the benefits of implementing halal certification	HCI5

The analytical method used in the study is SEM (Structural Equation Modelling). The software used in data processing and analysis is SPLS (Smart Partial Least Square). PLS (Partial Least Squares) is an alternative model to covariance-based SEM. The testing steps of PLS analysis in general are designing a measurement model (outer model), conducting validity and reliability tests, designing structural models (inner models), and conducting hypothesis tests.

4. DATA ANALYSIS AND FINDING

4.1 Description of the respondents

The description of the respondents can be seen in Table 2. Based on age, the dominance of respondents aged over 40 to 50 years is 38% and the second distillation is over 30 to 40 years old at 25%. Based on educational background, it shows that the dominance of respondents is undergraduate graduates at 38% and the second rank is high school graduates at 37%. When viewed in terms of gender, respondents are dominated by women at 58%, while male respondents are at 42%. Based on its relationship with MSMEs, the composition of respondents is 88% as owners and 12% as managers.

Table 2: The Description of Respondents

Parameter	Category	Number	%
Age	< 25	7	7
	25 – 30	13	13
	> 30 – 40	25	25
	> 40 – 50	39	39
	> 50	18	18
Education Background	Senior High School	37	37
	Diploma	21	21
	Graduate	38	38
	Post Graduate	4	4
Gender	Male	42	42
	Female	58	58
Status	Owner	88	88
	Manager	12	12

The perception of 100 respondents on the variables of knowledge, compliance, and intention in implementing halal certification can be seen in Table 3.

Table 3: Statistics Description of Variables

Variable	Indicator Code	Mean	Min	Max	Std Dev
X (Knowledge)	KNO1	4.79	1	5	0.553
	KNO2	4.73	1	5	0.581
	KNO3	4.67	3	5	0.491
	KNO4	4.76	1	5	0.568
	KNO5	4.74	1	5	0.577
	KNO6	4.80	1	5	0.548
	KNO7	4.80	1	5	0.529
	KNO8	4.79	1	5	0.535
	KNO9	4.74	4	5	0.439
	KNO10	4.85	4	5	0.357
	KNO11	4.56	3	5	0.535
	KNO12	4.44	1	5	0.683
Z (Compliance)	CPL1	4.69	3	5	0.484
	CPL2	4.58	3	5	0.513
	CPL3	4.80	4	5	0.400
	CPL4	4.78	4	5	0.413
	CPL5	4.77	4	5	0.421
	CPL6	4.15	1	5	0.931
	CPL7	4.76	4	5	0.427
	CPL8	4.67	3	5	0.491
	CPL9	4.76	4	5	0.427
	CPL10	4.56	3	5	0.571
	CPL11	4.51	3	5	0.592
	CPL12	4.48	3	5	0.574
	CPL13	4.51	3	5	0.557
Y (Halal Certification Intention)	HCI1	4.55	2	5	0.572
	HCI2	4.57	4	5	0.495
	HCI3	4.59	3	5	0.512
	HCI4	4.49	3	5	0.538
	HCI5	4.49	3	5	0.520

From Table 3, we can see that the average perception of respondents related to knowledge in each indicator is between 4.44 to 4.85. The lowest is KNO12 related to the knowledge of the obligation to carry out God's commandments. The highest is KNO10 related to knowing the obligation to comply with halal product assurance laws. This means showing that respondents have adequate knowledge related to halal aspects from the point of view of both Islamic Law and Regulation.

For compliance variables, the average respondent's perception ranged from 4.48 to 4.80. The lowest average value is on the CPL12 indicator which is related to compliance with Comply with

halal provisions by the Ministerial Decree. Meanwhile, the highest is on the CPL3 indicator related to compliance with performing prayers. Meanwhile, for the halal certification intention variable, the average respondent's perception ranged from 4.49 to 4.59. The lowest average value is on the HCI5 indicator, which is related to the intention to seek information related to the benefits of implementing halal certification. The highest value is on the HCI3 indicator related to the intention to prefer halal certification.

4.2 Validity and Reliability Test

Validity and reliability testing is a method used for the evaluation of measurement models. The validity test is carried out in 3 stages. First, the convergent validity of each indicator can be checked from outer loading values. Second, the convergent validity of each construct can be checked from the AVE (Average Variance Extracted) value. Third, the discriminant validity can be seen from the Fornell Larcker criterion.

The first model uses 12 indicators for knowledge variables, 13 indicators for compliance variables, and 5 indicators for intention variables that apply halal certification. Based on the data processing at the first stage, there are several invalid indicators. Invalid indicators, especially those with outer loading values below 0.5, are eliminated. KNO12 and CPL6 indicators were omitted from the first model, so in the second model 11 indicators in the knowledge variable, 12 indicators in the compliance variable, and 5 indicators of intention to apply halal certification are used. Detailed outer loading data is shown in Table 4

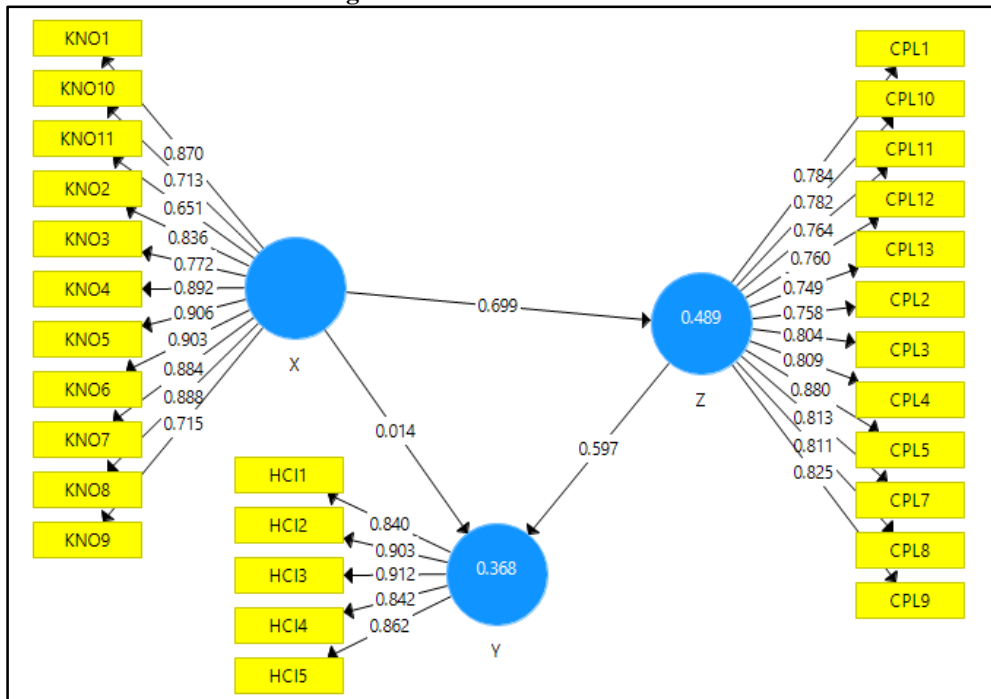
Table 4: Test Results of the Validity of Each Indicator

Variable	Indicator Code	Outer Loading	
		Model 1	Model 2
X (Knowledge)	KNO1	0.859	0.870
	KNO2	0.829	0.836
	KNO3	0.771	0.772
	KNO4	0.881	0.892
	KNO5	0.895	0.906
	KNO6	0.897	0.903
	KNO7	0.872	0.884
	KNO8	0.874	0.888
	KNO9	0.726	0.715
	KNO10	0.718	0.713
	KNO11	0.670	0.651
	KNO12	0.330	-
Z (Compliance)	CPL1	0.783	0.784
	CPL2	0.760	0.758
	CPL3	0.801	0.804
	CPL4	0.806	0.809
	CPL5	0.878	0.880
	CPL6	0.288	-
	CPL7	0.808	0.813
	CPL8	0.811	0.811
	CPL9	0.821	0.825
	CPL10	0.783	0.782

	CPL11	0.770	0.764
	CPL12	0.766	0.760
	CPL13	0.754	0.749
Y (Halal Certification Intention)	HCI1	0.839	0.840
	HCI2	0.903	0.903
	HCI3	0.912	0.912
	HCI4	0.842	0.842
	HCI5	0.862	0.862

The second model used as the basis for further measurements is shown in Figure 2

Figure 2: Path Coefficient Model



Based on Figure 2 it can be seen that the outer loading value of all indicators is above 0.7 which means that all indicators used in the second model are valid. One indicator, KNO 11, is still below 0.7 but above 0.6, which indicates moderate validity and can still be used.

Table 5: Convergent Validity, Discriminant Validity, and Reliability

	Fornell-Larcker Criteria			AVE	Cronbach's Alpha	Composite Reliability
	X	Y	Z			
X (Knowledge)	0.826			0.682	0.953	0.959
Y (Halal Certification Intention)	0.431	0.872		0.761	0.921	0.941
Z (Compliance)	0.699	0.606	0.796	0.633	0.947	0.954

Convergent validity measurements based on AVE (Average Variance Extracted) show that All constructs have AVE values greater than 0.5. This means all variables in the category are valid. Meanwhile, the measurement of discriminant validity with the Fornell-Larcker criterion shows the eligibility of the model. From Table 5, we can see that the validity of discriminants meets the requirements, for example, Discriminant Validity between knowledge and knowledge of 0.826 which is greater than the discriminant validity of knowledge with halal certification intention (HCI) and compliance. Discriminant validity between HCI and HCI is greater than discriminant validity between HCI with compliance. Discriminant Validity between compliance and compliance is greater than discriminant validity between compliance with HCI and knowledge.

Construct reliability measurements were performed using Cronbach's Alpha and Composite Reliability parameters. Reliability tests are used to measure the accuracy and consistency of the instruments used. A variable is considered reliable if Cronbach's alpha and combined reliability values are greater than 0.7. Based on Table 4, Cronbach's alpha values for all variables appear to be greater than 0.7. Therefore all constructs are reliable. Likewise, based on composite reliability measurements, show that all variables have values above 0.7, which means that they are reliable.

4.3. Coefficient of determination (*R*-squared), predictive relevance (*Q*²), and Goodness of Fit (*GoF*) Test

The coefficient of determination and Predictive Relevance tests are used for the initial evaluation of structural or inner models. *R*² values of 0.67, 0.33, and 0.19 indicate strong, moderate, and weak models. Meanwhile, a *Q*² value greater than 0 indicates that the model has predictive relevance. The results of the coefficient of determination test are shown in Table 6.

Table 6: R-Square

	R-Square	R-Square Adjusted
Y (Halal Certification Intention)	0.368	0.355
Z (Compliance)	0.489	0.484

$$\begin{aligned}
 Q^2 &= 1 - (1 - R21) (1 - R22) \\
 &= 1 - (1 - 0.368) (1 - 0.489) \\
 &= 1 - (0.632) (0.511) \\
 &= 1 - 0.323 \\
 &= 0.677
 \end{aligned}$$

A goodness-of-fit (GoF) test is performed to validate the combinatorial performance between the outer and inner models as determined by the following calculation:

$$GoF = \sqrt{AVE \times R^2}$$

$$GoF = \sqrt{0.761 \times 0.368}$$

$$GoF = \sqrt{0.280}$$

$$GoF = 0.529$$

The R-square value of Halal Certification Intention is 0.368 which means it shows a moderate structural model. The Q² value of 0.677 means greater than 0 and indicates a model that has predictive relevance. Meanwhile, a GoF value of 0.529 indicates that the combined performance of the measurement model (outer model) and structural model (inner model) as a whole is good because it is greater than 0.36 (large-scale GoF).

4.4. Hypothesis tests

Hypothesis tests are used to evaluate structural models or inner models, related to the relationship between one variable and another. Hypothesis test results are shown in Table 7.

Table 7: Path Coefficient and P Values

	Original Sample	Sample Mean	Standard Dev	T Statistics	P Values
X --> Y	0.014	0.038	0.148	0.092	0.926
X --> Z	0.699	0.740	0.073	9.617	0.000
Z --> Y	0.597	0.582	0.143	4.164	0.000
X --> Z --> Y	0.417	0.427	0.100	4.157	0.000

The path coefficient table is seen from the first two things is the nature of the relationship between variables, positive or negative which can be seen from the original sample. The second is

significant which can be seen from the P Values. The relationship is significant if the P value is below 0.05. Table 7 shows that the relationship between variables X to Y is positive, as well as the relationship between variables X to Z and Z to Y.

Based on Table 7, it can be seen that the value of P values of the relationship between X and Y exceed 0.05, meaning that X has no direct effect on Y. While a significant relationship is obtained between variable X to Z, and variable Z to Y with P Values lower than 0.05. The meaning of the results of the data processing is that knowledge has a positive and insignificant effect on the intention of halal certification directly. Meanwhile, knowledge has a direct positive and significant impact on compliance, and compliance has a positive and significant impact on halal certification intention.

Based on Table 7 can also be seen the indirect relationship between X to Y mediated Z. It can be seen that X has a positive effect on Y significantly mediated by Z. In other words, knowledge affects the intention in halal certification of MSMEs mediated by compliance.

5. DISCUSSION

5.1 The influence of knowledge on the intention of MSMEs in implementing Halal certification

The data processing results show that the knowledge has a positive but not significant impact on intention in MSME Halal certification. This positive influence means a linear relationship between knowledge and intention in halal certification. Based on the path coefficient, the value of the constant is 0.014. Knowledge can increase intention in halal certification even though the value is so small that it is known as insignificant. With another understanding, it can be said that knowledge does not affect the intention of MSMEs in implementing halal certification. In other words, the high or low knowledge possessed by MSMEs does not directly affect the level of intention of MSMEs in implementing halal certification. Thus hypothesis 1 is rejected.

Knowledge does not affect the intention in halal certification, possibly due to Regulations of the Government of the Republic of Indonesia that halal certification is mandatory for all entrepreneurs, including MSMEs. Based on variable descriptive data, it is known that 98% of MSME entrepreneurs have knowledge related to halal provisions both in terms of Islamic law and regulations issued by the government of the Republic of Indonesia. The dominance of entrepreneurs who have halal-related knowledge makes them more aware of implementing halal certification. This is also supported by descriptive data on compliance variables, which show typical Sharia loyalists, namely respondents who have a high commitment to religion. Based on descriptive data of compliance variables the average perception of respondents is between 4.48 – 4.80 from the highest score of 5. This indicates high compliance.

The results of this study are in line with previous research as conveyed by Giyanti and Indriastiningsih (2019) and Sudarmiati et al. (2020) which state that knowledge does not have a significant impact on the intention/awareness to conduct halal certification

The phenomenon found in the results of this study can also be explained using institutional theory. The old institutional theory (OIT) states that institutionalization occurs because of values, norms,

and attitudes that are taken for granted. This shows that whatever the organization does is based on provisions or norms set by the government. According to Caldera et al. (2019), the institutional theory covers aspects of social structure in a detailed and integrated manner, whose formation process refers to rules and norms as authoritative guidelines for social behaviors.

The behavior of MSME entrepreneurs to implement halal certification that is not influenced by direct knowledge shows the strong influence of norms or rules that apply in society. This strength is due to the mandatory legal requirements when applying for halal certification.

5.2 The Influence of Knowledge on Compliance

The results showed that knowledge had a significant positive effect on the compliance of MSME entrepreneurs. This shows that hypothesis 2 is accepted. From Table 7, we can see that the value of the path coefficient for the relationship between knowledge and compliance is 0.699. Meanwhile, P values are 0.00 and below 0.05 which indicates a significant degree of relationship. This statistic can be interpreted to mean that for every unit of knowledge, compliance increases by 0.699. This shows that knowledge can improve compliance with the rules.

The results indicated that the hypotheses formulated were accepted. Knowledge context has a large positive impact on MSME compliance, supported by various descriptive statistics. Based on the descriptive statistics from Table 3, we find that the average conformance is at an almost very high degree, namely 4.6, in line with the level of knowledge possessed by MSME entrepreneurs at 4.7. The maximum number of perceptions is 5.0.

The second hypothesis was accepted, indicating the importance of knowledge in maintaining compliance. Every Muslim is obliged to obey the commands of Allah, the Messenger, and “Ulil Amri” as the word of Allah SWT in Surah An Nisa verse 59, as well as the Hadith of the Messenger narrated by Imam Bukhari and Imam Muslim regarding the obligation to obey the Imam. In addition, the results of the research can prove the truth of the word of Allah SWT associated with social phenomena in MSME entrepreneurs related to the relationship between knowledge and compliance.

Knowledge is a decisive factor in achieving and maintaining an organization's competitive advantage (Ha et al., 2016). According to Ferraris et al. (2019), knowledge is defined as a set of beliefs that are justified and manageable to achieve organizational goals through effective action. Abbas and Sagan (2019) state that knowledge is an abstract concept and comes in two forms: explicit and tacit. The higher knowledge possessed by MSME entrepreneurs will increase compliance. In the context of implementing halal certification, the knowledge possessed by MSME entrepreneurs will increase compliance related to halal provisions.

The results of this study also agree with the opinion of Jannah and Al-Banna (2021) which states that a person's knowledge level indicates their level of understanding about something. Halal awareness of business people is influenced by knowledge (Jannah & Al-Banna, 2021). The research findings are also supported by similar related research such as the purchase intention of halal products (Gojali & Suci Asih, 2020,) and the halal assurance system (Sucipto et al., 2021). Compliance with the provisions can be in the form of compliance with the rules of Islamic law, as well as compliance with regulations issued by the government.

5.3 The influence of compliance on the intention of MSMEs in implementing Halal certification

The results showed that compliance has a significant positive impact on MSMEs' intention in halal certification. This suggests hypothesis 3 is accepted. Based on Table 7, the path coefficient value is 0.597. This means that his MSME entrepreneur intention in implementing halal certification increases by 0.597 for every compliance unit increase. This shows that the compliance of entrepreneurs to comply with all provisions, both the provisions of Islamic law and regulations related to halal guarantees, can increase the intention of MSMEs to implement halal certification.

The results of this research are in line with Al Qur'an. Allah Almighty says as stated in surah Al Maidah verse 93 which reads: There is no sin for those who believe and do righteous deeds by eating the food they have eaten before when they are pious and have faith, and do pious deeds, then they remain fearful and have faith, then they (remain) also fear and do good. And God loves those who do good". If related to the results of the study, then surah Al Maidah verse 93 is in line with the findings, that compliance has a significant positive effect on the intention of MSMEs to implement halal certification. Piety is the highest form of compliance of a Muslim. Piety will correlate with virtue that is practiced continuously. The intention of halal certification is the implementation of virtue and pious deeds that can be done by MSME entrepreneurs as proof of compliance.

The results of this study are consistent with similar previous studies, for example, Muslims' intention to travel to non-Muslim countries may be influenced by their level of adherence to Islamic rules (Aji et al., 2021). Sucipto (2021) stated management commitment influences the implementation of the halal assurance system. Religiousness is a person's effort to apply religious values and ideals (Bukhari et al., 2019). Some Islamic researchers such as Mukhtar and Butt (2012), Awan et al. (2015), Bukhari et al. (2019), Nurhayati and Hendar (2020), Ahmadova and Aliyev (2021). finding that religiosity and compliance with the provisions are important factors and determinants of halal purchase intention. Some other Islamic researchers state that Halal compliance obligations, when properly and regularly implemented, can lead end consumers to pay higher prices for halal-certified products (Kamaruddin et al., 2012) (Tieman et al., 2013) (Ahmed et al., 2019).

5.4 The influence of knowledge on the intention of MSMEs in implementing halal certification with compliance as a mediator

Knowledge has a significant positive impact on MSMEs' intentions in Halal certification mediated by compliance. Thus hypothesis 4 is accepted. Based on Table 7, the path coefficient value is 0.417, This means that for every 1 unit increase in knowledge, MSME entrepreneur intention increases by 0.417 units via compliance. This shows that the knowledge of MSME entrepreneurs mediated by compliance will be able to increase the intention of MSMEs to implement halal certification.

The results of this study may have additional advantages over previous similar studies. Religiosity is the level of commitment and potential motivation to practice a religion (Aji et al., 2021). According to Jannah and Al-Banna (2021) knowledge and religiosity affect the halal understanding of business people. Gojali and Suci Asih (2020) stated that five factors influence the

purchase intention of halal products: understanding of halal, personal and societal views, halal marketing, halal certification, and beliefs. Halal understanding is part of knowledge. Meanwhile, belief can underlie compliance. According to Nurhayati and Hendar (2020) the value of religiosity is the basis for the decision process of purchasing halal products.

The results of the study are in line with the word of Allah in the Qur'an surah Ar Ra'd verse 16 which reads: "Who is the Lord of heaven and earth?" He answered: "God". Say: "Then should you take away your protectors from other than Allah, when they do not control expediency and are not good for themselves?" Say: "Is it the same as the blind and the seeing, or the same as pitch black and bright; did they make some allies to God who could create like His creations so that the two creations were similar in their view?" Say: "Allah is the Creator of all things and He is the one and only God". This verse explains the difference between knowledgeable and unlearned people. People who know will be able to act based on expediency. The benefit that can be done by MSME entrepreneurs is if they comply with the provisions set by Islamic law and the government related to halal so that he has the desire to certify the halal products issued. Thus they will benefit other Muslims, especially those who are consumers of these products. This could explain the phenomenon that knowledge can increase intention in implementing halal certification mediated by compliance.

6. CONCLUSION

This knowledge has positive impacts but no significant on intention in MSME Halal certification. The knowledge level of MSME entrepreneurs does not affect their intention to adopt Halal certification. Meanwhile, knowledge has a significant positive effect on MSME compliance. Increased knowledge will have a positive impact on compliance by MSME entrepreneurs in Indonesia.

Compliance has a positive impact on MSME intention in Halal certification. Improving MSME entrepreneurs' compliance with regulations based on both Islamic law and Indonesian legal regulations will increase MSME entrepreneurs' intention to introduce halal certification. Knowledge has a great positive impact on his MSME intention in Halal certification transmitted by compliance. Knowledge could increase his MSME intention to introduce halal certification via compliance.

Although knowledge does not have a direct effect on the intention of halal certification, it needs the government's attention because there are still entrepreneurs who do not know and understand the rules set by the government. In addition, this knowledge is also important to be a concern for regulators because it can be a trigger for compliance and subsequently a trigger for increased intention in halal certification. Therefore, the results of this study have managerial implications that the government still needs to pay attention to the literacy of MSME entrepreneurs. The lack of knowledge possessed must always be increased by regular socialization. So that there is an even distribution of knowledge ownership by MSMEs in Indonesia.

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